



TOKOLOGO MUNICIPALITY  
(Demarcation code FS182)  
Financial statements  
for the year ended 30 June 2013

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## General Information

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<b>Legal form of entity</b>	Tokologo is a Category B Local Municipality as defined by the Municipal Structures Act. (Act no 117 of 1998)
<b>Nature of business and principal activities</b>	Tokologo Municipality is a local municipality performing the functions as set out in the Constitution, Act no 105 of 1996)
<b>Council</b>	
Executive Mayor	GK Mohkobo (Mayor)
Councillors	AF Bartleman M M Lentsa GK Magomo DD Mongana MG Nyamani BW Seakge BE Seekoei
<b>Grading of local authority</b>	Low Capacity (Grade 2)
<b>Accounting Officer</b>	K J Motlhale
<b>Chief Finance Officer (CFO)</b>	M O Masisi
<b>Registered office</b>	Voortrekker Street Market Square Boshof 8340
<b>Business address</b>	Voortrekker Street Market Square Boshof 8340
<b>Postal address</b>	Private Bag X46 Boshof 8340
<b>Bankers</b>	First National Bank, Boshof
<b>Auditors</b>	The Auditor General of South Africa

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## General Information

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### Relevant Legislation

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act (Act No 5 of 2012)  
The Income Tax Act (Act No 28 of 1997)  
Value Added Tax Act (Act No 89 of 1991)  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

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### Abbreviations

GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# **TOKOLOGO MUNICIPALITY**

Financial Statements for the year ended 30 June 2013

## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the financial statements.

The financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies that are supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied upon for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is largely dependent on Government Grants for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that there is no intention to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The financial statements set out on pages 6 to 50, which have been prepared on the going concern basis, were approved by the accounting officer on \_\_\_\_\_ and were signed by:

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**K J Motlhale (Municipal Manager)**

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**M Masisi (Chief Financial Officer)**

**Boshof**



# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012 restated
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	3 221 213	3 368 708
Inventories	4	9 693	12 663
Receivables from exchange transactions	5	1 615 122	437 830
Consumer debtors	6	2 325 034	2 051 840
VAT receivable	7	17 874 593	7 712 353
		<b>25 045 655</b>	<b>13 583 394</b>
<b>Non-Current Assets</b>			
Biological assets that form part of an agricultural activity	8	1 481 820	1 463 460
Investment property	9	30 911 400	30 131 400
Property, plant and equipment	10	463 844 784	410 354 338
Intangible assets	11	44 791	12 119
Investments	12	277 521	277 011
		<b>496 560 316</b>	<b>442 238 328</b>
<b>Total Assets</b>		<b>521 605 971</b>	<b>455 821 722</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Consumer deposits	13	378 657	362 404
Current portion of finance lease obligation	14	183 285	393 317
Payables from exchange transactions	15	10 353 410	18 671 595
Provisions	16	1 136 000	1 055 000
		<b>12 051 352</b>	<b>20 482 316</b>
<b>Non-Current Liabilities</b>			
Non-current portion of finance lease obligation	14	260 211	284 612
Provisions	16	2 028 250	2 028 250
Retirement benefit obligation	17	2 431 000	2 284 000
		<b>4 719 461</b>	<b>4 596 862</b>
<b>Total Liabilities</b>		<b>16 770 813</b>	<b>25 079 178</b>
<b>Net Assets</b>		<b>504 835 158</b>	<b>430 742 544</b>
<b>Net Assets</b>			
Accumulated surplus		504 835 158	430 742 544

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012 restated
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Sale of goods in agricultural activities		770 433	56 750
Service charges	18	17 867 625	16 491 489
Rendering of services		185 709	82 452
Rental of facilities and equipment	19	783 973	503 765
Interest received		1 091 877	798 493
Dividends received		-	16 014
<b>Total revenue from exchange transactions</b>		<b>20 699 617</b>	<b>17 948 963</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	20	2 936 323	2 343 116
<b>Transfer revenue</b>			
Government grants & subsidies		123 997 194	103 794 124
Fines		106 255	174 410
<b>Total revenue from non-exchange transactions</b>		<b>127 039 772</b>	<b>106 311 650</b>
<b>Total revenue</b>	21	<b>147 739 389</b>	<b>124 260 613</b>
<b>Expenditure</b>			
Personnel	22	(20 206 566)	(18 901 389)
Remuneration of councillors	23	(1 889 300)	(1 896 124)
Depreciation and amortisation	24	(14 910 455)	(19 248 673)
Impairment loss/ Reversal of impairments		(5 060 164)	-
Finance costs	25	(267 624)	(256 940)
Debt impairment	26	(6 872 970)	(19 118 409)
Repairs and maintenance		(2 568 138)	(3 967 501)
Bulk purchases	27	(13 669 453)	(11 894 519)
Contracted services	28	(5 490 229)	(7 150 754)
Grants and subsidies paid	29	(254 451)	(1 266 213)
General Expenses	30	(7 483 160)	(6 818 405)
<b>Total expenditure</b>		<b>(78 672 510)</b>	<b>(90 518 927)</b>
<b>Operating surplus</b>		<b>69 066 879</b>	<b>33 741 686</b>
Fair value adjustments	31	510	7 518
Gains or (losses) on biological assets and agricultural produce		18 360	-
		<b>18 870</b>	<b>7 518</b>
<b>Surplus for the year</b>		<b>69 085 749</b>	<b>33 749 204</b>



# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	405 102 765	405 102 765
Adjustments		
Correction of prior period error	8 109 425	8 109 425
<b>Balance at 01 July 2011 as restated</b>	<b>396 993 340</b>	<b>396 993 340</b>
Changes in net assets		
Surplus for the period	33 749 204	33 749 204
Total changes	33 749 204	33 749 204
Opening balance as previously reported	430 742 483	430 742 483
Adjustments		
Change in accounting policy	5 006 926	5 006 926
<b>Balance at 01 July 2012 as restated</b>	<b>435 749 409</b>	<b>435 749 409</b>
Changes in net assets		
Surplus for the period	69 085 749	69 085 749
Total changes	69 085 749	69 085 749
<b>Balance at 30 June 2013</b>	<b>504 835 158</b>	<b>504 835 158</b>
Note(s)		

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Cash Flow Statement

Figures in Rand	Note(s)	2013	2012 restated
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		11 211 031	8 833 591
Grants		122 997 194	103 794 124
Interest income		1 091 877	798 493
Dividends received		-	16 014
		<u>135 300 102</u>	<u>113 442 222</u>
<b>Payments</b>			
Finance costs		(5 866)	(132 435)
Other payments		(60 491 472)	(32 129 305)
		<u>(60 497 338)</u>	<u>(32 261 740)</u>
<b>Net cash flows from operating activities</b>	35	<b><u>74 802 764</u></b>	<b><u>81 180 482</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(73 423 828)	(80 186 318)
Proceeds from sale of property, plant and equipment	10	21 578	-
Purchase of investment property	9	(780 000)	-
Purchase of other intangible assets	11	(271 818)	(189 711)
Increase in biological assets	8	(212 180)	(348 560)
Proceeds from sale of biological assets that form part of an agricultural activity	8	212 180	196 420
<b>Net cash flows from investing activities</b>		<b><u>(74 454 068)</u></b>	<b><u>(80 528 169)</u></b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(496 191)	369 755
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(147 495)</u></b>	<b><u>1 022 068</u></b>
Cash and cash equivalents at the beginning of the year		3 368 708	2 346 640
<b>Cash and cash equivalents at the end of the year</b>	3	<b><u>3 221 213</u></b>	<b><u>3 368 708</u></b>

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Sale of game	328 735	-	328 735	770 433	441 698
Service charges	18 832 561	-	18 832 561	17 867 625	(964 936)
Rendering of services	39 171	-	39 171	185 709	146 538
Rental of facilities and equipment	228 756	-	228 756	783 973	555 217
Interest received - investment	455 224	-	455 224	1 091 877	636 653
Dividends received	2 739	-	2 739	-	(2 739)
<b>Total revenue from exchange transactions</b>	<b>19 887 186</b>	<b>-</b>	<b>19 887 186</b>	<b>20 699 617</b>	<b>812 431</b>

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	2 621 652	-	2 621 652	2 936 323	314 671
Government grants & subsidies	96 741 480	-	96 741 480	123 997 194	27 255 714

##### Transfer revenue

Fines	73 040	-	73 040	106 255	33 215
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<b>Total revenue from non-exchange transactions</b>	<b>99 436 172</b>	<b>-</b>	<b>99 436 172</b>	<b>127 039 772</b>	<b>27 603 600</b>
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<b>Total revenue</b>	<b>119 323 358</b>	<b>-</b>	<b>119 323 358</b>	<b>147 739 389</b>	<b>28 416 031</b>
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#### Expenditure

Personnel	(22 129 140)	-	(22 129 140)	(20 206 566)	1 922 574
Remuneration of councillors	(1 817 849)	-	(1 817 849)	(1 889 300)	(71 451)
Depreciation and amortisation	(1 181 818)	-	(1 181 818)	(14 910 455)	(13 728 637)
Impairment loss/ Reversal of impairments	(2 517 867)	-	(2 517 867)	(5 060 164)	(2 542 297)
Finance costs	-	-	-	(267 624)	(267 624)
Debt impairment	(2 581 524)	-	(2 581 524)	(6 872 970)	(4 291 446)
Repairs and maintenance	(3 175 271)	-	(3 175 271)	(2 568 138)	607 133
Bulk purchases	(11 778 778)	-	(11 778 778)	(13 669 453)	(1 890 675)
Contracted Services	(10 353 420)	-	(10 353 420)	(5 490 229)	4 863 191
Grants and subsidies paid	(2 275 416)	-	(2 275 416)	(254 451)	2 020 965
General Expenses	(6 197 961)	-	(6 197 961)	(7 483 160)	(1 285 199)

<b>Total expenditure</b>	<b>(64 009 044)</b>	<b>-</b>	<b>(64 009 044)</b>	<b>(78 672 510)</b>	<b>(14 663 466)</b>
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<b>Operating surplus</b>	<b>55 314 314</b>	<b>-</b>	<b>55 314 314</b>	<b>69 066 879</b>	<b>13 752 565</b>
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Fair value adjustments	-	-	-	510	510
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Gain on biological assets and agricultural produce	-	-	-	18 360	18 360
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	-	-	-	18 870	18 870
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<b>Surplus before taxation</b>	<b>55 314 314</b>	<b>-</b>	<b>55 314 314</b>	<b>69 085 749</b>	<b>13 771 435</b>
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<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>55 314 314</b>	<b>-</b>	<b>55 314 314</b>	<b>69 085 749</b>	<b>13 771 435</b>
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# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies are disclosed below.

#### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

##### Provisions

Provisions were raised and management determined estimates based on information available. Additional disclosure of these estimates of provisions are included in Note 16 - Current Provisions.

##### Allowance for doubtful debts

An impairment loss on debtors is recognised in surplus and deficit when there is objective evidence that there is an impairment. An estimate is made for doubtful debtors based on a review of all outstanding amounts at year-end. Bad debts are written off with the approval of Council during the year in which they are identified. Additional disclosure of these estimates are included in note 6.

##### Numerical rounding

Numerical values were rounded by replacing it by another value that is approximately equal but has a shorter, simpler, or more explicit representation. Numerical values were rounded to the nearest Rand.

#### 1.2 Biological assets that form part of an agricultural activity

An entity shall recognise a biological asset or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are initially measured at their fair value less estimated point-of-sale costs where the cost is not available.

Thereafter game is measured at fair value of game which is determined based on market prices of game of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets at fair value less estimated point-of-sale costs is included in surplus or deficit for the period in which it arises.

Biological assets are derecognised on death or disposal.

#### 1.3 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

## Accounting Policies

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### 1.3 Intangible assets (continued)

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Item	Useful life
Licenses and franchises	1 year

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.4 Financial instruments (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

## Accounting Policies

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### 1.4 Financial instruments (continued)

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

#### Derecognition

##### Financial assets

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

##### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.



## Accounting Policies

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### 1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

#### Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in the statement of financial performance.

### 1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

## Accounting Policies

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### 1.7 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

#### Defined benefit plans

##### (a) Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

##### (b) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

##### (c) Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

##### (d) Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

##### (e) Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

## Accounting Policies

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### 1.8 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

### 1.9 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

A constructive obligation is an obligation that derives from an entity's actions where:

- (a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity had indicated to other parties that it will accept certain responsibilities; and
- (b) as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

A contingent liability is:

- (a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - (ii) the amount of the obligation cannot be measured with sufficient reliability.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation. Contingent assets and contingent liabilities are not recognised.

Contingencies are disclosed in note 37.

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## Accounting Policies

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### 1.10 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment purchased from 01 July 2008 forward has been initially measured at cost. Property, Plant and equipment purchased prior to this date has been measured at provisional amounts in terms of Directive 4 of the Accounting Standards Board issued in March 2009.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for items of property, plant and equipment which was acquired prior to 01 July 2008, which are carried at provisional amounts.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land and buildings	
• Buildings	30 years
• Land	Indefinite
Furniture and fittings	
• Furniture and fittings	7 - 10 years

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.10 Property, plant and equipment (continued)

#### Motor vehicles

- Other vehicles 5 years
- Specialised vehicles 10 years

#### Office Equipment

- Office equipment 3 - 7 years

#### IT equipment

- Computer equipment 3 years

#### Infrastructure

- Roads and paving 30 years
- Water 15-20 years
- Sewerage 15-20 years

#### Community

- Buildings 30 years
- Recreational facilities 20 - 30 years
- Security 5 years

#### Other property, plant and equipment

- Watercraft 15 years
- Specialised plant and equipment 10 - 15 years
- Bins and containers 5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

### 1.11 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.11 Mergers (continued)

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

### 1.12 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. In instances where meter readings have not been performed, provisional estimates of consumption are made. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale, therefore on a cash basis.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

### 1.13 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

### 1.14 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements.

### 1.16 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.17 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

## Accounting Policies

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### 1.18 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.19 Presentation of Currency

These financial statements are presented in South African Rand.

### 1.20 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

### 1.21 Conditional Grants and receipts

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

### 1.22 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012/07/01 to 2013/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.



# **TOKOLOGO MUNICIPALITY**

Financial Statements for the year ended 30 June 2013

## **Accounting Policies**

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### **1.23 Related parties**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### **1.24 Commitments**

Capital commitments are only disclosed in the notes to the financial statements and are not included as part of current liabilities as no service has been rendered or product sold to the municipality.

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand

2013

2012 restated

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	Significant
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	Significant
• GRAP 103: Heritage Assets	01 April 2012	Low
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012	Low
• GRAP 26: Impairment of cash-generating assets	01 April 2012	Low
• GRAP 104: Financial Instruments	01 April 2012	Significant
• IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities	01 April 2011	Low
• IGRAP 3: Determining Whether an Arrangement Contains a Lease	01 April 2011	Low
• IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	01 April 2011	Low
• IGRAP 5: Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies	01 April 2011	Low
• IGRAP 6: Loyalty Programmes	01 April 2011	Low
• IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions	01 April 2011	Low
• IGRAP 9: Distributions of Non-cash Assets to Owners	01 April 2011	Low
• IGRAP 10: Assets Received from Customers	01 April 2011	Low
• IGRAP 13: Operating Leases – Incentives	01 April 2011	Low
• IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease	01 April 2011	Low
• IGRAP 15: Revenue – Barter Transactions Involving Advertising Services	01 April 2011	Low
• GRAP 1 (as revised 2010): Presentation of Financial Statements	01 April 2011	Significant
• GRAP 2 (as revised 2010): Cash Flow Statements	01 April 2011	Significant
• GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors	01 April 2011	Significant
• GRAP 4 (as revised 2010): The Effects of Changes in Foreign Exchange Rates	01 April 2011	Significant
• GRAP 9 (as revised 2010): Revenue from Exchange Transactions	01 April 2011	Significant
• GRAP 10 (as revised 2010): Financial Reporting in Hyperinflationary Economies	01 April 2011	Low
• GRAP 11 (as revised 2010): Construction Contracts	01 April 2011	Low
• GRAP 12 (as revised 2010): Inventories	01 April 2011	Significant
• GRAP 13 (as revised 2010): Leases	01 April 2011	Significant
• GRAP 14 (as revised 2010): Events After the Reporting Date	01 April 2011	Low
• GRAP 16 (as revised 2010): Investment Property	01 April 2011	Significant
• GRAP 17 (as revised 2010): Property, Plant and Equipment	01 April 2011	Significant
• GRAP 19 (as revised 2010): Provisions, Contingent Liabilities and Contingent Assets	01 April 2011	Significant
• GRAP 100 (as revised 2010): Non-current Assets Held for Sale and Discontinued Operations	01 April 2011	Low

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

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### 2. New standards and interpretations (continued)

#### 2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"><li>IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</li></ul>	01 April 2013	Low
<ul style="list-style-type: none"><li>GRAP 105: Transfers of functions between entities under common control</li></ul>	01 April 2014	Low

#### 2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"><li>GRAP 25: Employee benefits</li></ul>	01 April 2013	Significant
<ul style="list-style-type: none"><li>GRAP 106: Transfers of functions between entities not under common control</li></ul>	01 April 2014	Significant
<ul style="list-style-type: none"><li>GRAP 107: Mergers</li></ul>	01 April 2014	Low
<ul style="list-style-type: none"><li>GRAP 20: Related parties</li></ul>	01 April 2013	Low
<ul style="list-style-type: none"><li>IGRAP 11: Consolidation – Special purpose entities</li></ul>	01 April 2014	Low
<ul style="list-style-type: none"><li>IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures</li></ul>	01 April 2014	Low
<ul style="list-style-type: none"><li>GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements</li></ul>	01 April 2014	Low
<ul style="list-style-type: none"><li>GRAP 7 (as revised 2010): Investments in Associates</li></ul>	01 April 2014	Low
<ul style="list-style-type: none"><li>GRAP 8 (as revised 2010): Interests in Joint Ventures</li></ul>	01 April 2014	Low
<ul style="list-style-type: none"><li>GRAP 1 (as revised 2012): Presentation of Financial Statements</li></ul>	01 April 2013	Significant
<ul style="list-style-type: none"><li>GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors</li></ul>	01 April 2013	Significant
<ul style="list-style-type: none"><li>GRAP 7 (as revised 2012): Investments in Associates</li></ul>	01 April 2013	Low
<ul style="list-style-type: none"><li>GRAP 9 (as revised 2012): Revenue from Exchange Transactions</li></ul>	01 April 2013	Significant
<ul style="list-style-type: none"><li>GRAP 12 (as revised 2012): Inventories</li></ul>	01 April 2013	Significant
<ul style="list-style-type: none"><li>GRAP 13 (as revised 2012): Leases</li></ul>	01 April 2013	Significant
<ul style="list-style-type: none"><li>GRAP 16 (as revised 2012): Investment Property</li></ul>	01 April 2013	Significant
<ul style="list-style-type: none"><li>GRAP 17 (as revised 2012): Property, Plant and Equipment</li></ul>	01 April 2013	Significant
<ul style="list-style-type: none"><li>GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)</li></ul>	01 April 2013	Significant
<ul style="list-style-type: none"><li>GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)</li></ul>	01 April 2013	Significant
<ul style="list-style-type: none"><li>IGRAP16: Intangible assets website costs</li></ul>	01 April 2013	Significant
<ul style="list-style-type: none"><li>IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue</li></ul>	01 April 2013	Significant

#### Statement of changes in equity for the year ended 30 June 2014

### 3. Cash and cash equivalents

Cash and cash equivalents consist of:

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand 2013 2012 restated

### 3. Cash and cash equivalents (continued)

Bank balances	788 437	227 798
Short-term deposits	2 432 376	3 140 510
Cashier's Float	400	400
	<b>3 221 213</b>	<b>3 368 708</b>

Cash and cash equivalents comprises cash with banks, cashier's float and short-term deposits. Cash equivalents are short term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. The carrying amounts therefore approximates their fair values.

#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
First National Bank - Current account - 62021285748	788 437	227 798	(3 636 547)	788 437	227 798	(4 484 472)
First National Bank - Current account - 62290902678	29 028	1 021 582	4 637 558	29 028	1 021 582	4 637 558
First National Bank - 7 Day Investment - 74368883317	66 227	-	-	66 227	-	-
First National Bank - 32 Day Deposit - 74037631683	124 061	119 836	115 228	124 061	119 836	115 228
First National Bank- Fixed Deposit- 71037990209	10 145	10 145	10 145	10 145	10 145	10 145
First National Bank - 32 Day Deposit -74037601777	52 076	50 623	49 142	52 076	50 623	49 142
Standard Bank - 32 Day Deposit - 048866393	2 022 162	1 909 320	1 827 060	2 022 162	1 909 320	1 827 060
Standard Bank - 32 Day Deposit- 048865303	-	29 004	28 146	-	29 004	28 146
First National Bank - Money Market 6238885376	128 678	-	-	128 678	-	-
<b>Total</b>	<b>3 220 814</b>	<b>3 368 308</b>	<b>3 030 732</b>	<b>3 220 814</b>	<b>3 368 308</b>	<b>2 182 807</b>

### 4. Inventories

Inventories	9 693	12 663
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Inventories comprise of water.

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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### 5. Receivables from exchange transactions

Other receivables	1 615 122	437 830
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Other receivables comprises of rental income owed to the municipality, debtors raised from payroll and sundry debtors owed to the municipality

### 6. Consumer debtors

#### Gross balances

Rates	10 178 915	8 336 058
Electricity	5 424 093	5 462 386
Water	1 088 801	425 018
Sewerage	19 514 747	16 915 913
Refuse	12 987 478	11 168 519
Sundry debtors	7 855 982	7 595 956
	<b>57 050 016</b>	<b>49 903 850</b>

#### Less: Allowance for impairment

Rates	(9 813 924)	(8 225 168)
Electricity	(3 969 846)	(3 939 625)
Water	(979 410)	(292 754)
Sewerage	(19 328 217)	(16 799 377)
Refuse	(12 896 211)	(11 115 014)
Sundry debtors	(7 737 372)	(7 480 074)
	<b>(54 724 980)</b>	<b>(47 852 012)</b>

#### Net balance

	364 990	110 892
	1 454 247	1 522 761
	109 391	132 264
	186 530	116 536
	91 267	53 505
Sundry debtors	118 609	115 882
	<b>2 325 034</b>	<b>2 051 840</b>

#### Rates (non-exchange)

Current (0 -30 days)	123 346	100 744
31 - 60 days	122 968	10 146
61 - 90 days	118 676	-
	<b>364 990</b>	<b>110 890</b>

#### Electricity

Current (0 -30 days)	293 497	342 522
31 - 60 days	210 075	164 572
61 - 90 days	146 058	151 765
91 - 120 days	104 892	863 902
121 - 365 days	804 617	-
	<b>1 559 139</b>	<b>1 522 761</b>

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012 restated
<b>6. Consumer debtors (continued)</b>		
<b>Water</b>		
Current (0 -30 days)	81 657	18 630
31 - 60 days	27 734	7 958
61 - 90 days	-	9 042
91 - 120 days	-	7 838
121 - 365 days	-	5 476
> 365 days	-	83 320
	<b>109 391</b>	<b>132 264</b>
<b>Sewerage</b>		
Current (0 -30 days)	186 530	116 536
<b>Refuse</b>		
Current (0 -30 days)	91 267	53 505
<b>Other (house rent, sundar charges, medical aid)</b>		
Current (0 -30 days)	1 897	14 088
31 - 60 days	7 934	1 368
61 - 90 days	1 132	1 653
91 - 120 days	1 203	480
121 - 365 days	6 178	98 293
> 365 days	100 264	-
	<b>118 608</b>	<b>115 882</b>
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	590 574	779 088
31 - 60 days	527 665	553 281
61 - 90 days	520 006	552 430
91 - 120 days	4 914 727	503 090
121 - 365 days	4 416 838	3 725 491
> 365 days	26 285 098	39 864 595
	37 254 908	45 977 975
Less: Allowance for impairment	(36 210 225)	(42 630 633)
	<b>1 044 683</b>	<b>3 347 342</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	248 011	90 552
31 - 60 days	220 520	50 673
61 - 90 days	176 911	40 549
91 - 120 days	1 376 451	36 676
121 - 365 days	1 152 390	965 991
> 365 days	9 437 474	1 558 320
	12 611 757	2 742 761
Less: Allowance for impairment	(12 101 515)	(333 277)
	<b>510 242</b>	<b>2 409 484</b>

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012 restated
<b>6. Consumer debtors (continued)</b>		
<b>National and provincial government</b>		
Current (0 -30 days)	116 939	14 876
31 - 60 days	90 194	7 415
61 - 90 days	99 492	9 012
91 - 120 days	2 375 906	8 035
121 - 365 days	768 829	76 412
> 365 days	3 731 991	567 340
	<hr/>	<hr/>
	7 183 351	683 090
Less: Allowance for impairment	(6 413 240)	(83 219)
	<hr/>	<hr/>
	<b>770 111</b>	<b>599 871</b>
<b>Total</b>		
Current (0 -30 days)	955 524	183 336
31 - 60 days	838 378	611 369
61 - 90 days	796 408	601 992
91 - 120 days	8 667 085	547 801
121 - 365 days	6 338 057	4 767 894
> 365 days	39 454 564	40 431 935
	<hr/>	<hr/>
	57 050 016	47 144 327
Less: Allowance for impairment	(54 724 981)	(43 047 129)
	<hr/>	<hr/>
	<b>2 325 035</b>	<b>4 097 198</b>
<b>Less: Provision for debt impairment</b>		
Provision based on the provisions of IAS 39	(54 724 980)	(47 852 012)
	<hr/>	<hr/>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(47 852 012)	(28 733 603)
Contributions to provision	(6 872 968)	(19 118 409)
	<hr/>	<hr/>
	<b>(54 724 980)</b>	<b>(47 852 012)</b>
<b>7. Value Added Tax</b>		
VAT	17 874 593	7 712 353
	<hr/>	<hr/>

VAT owed by SARS amounts to R 23,573,265.

The carrying amount of VAT receivable approximates fair value due to its short-term nature.

VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from debtors.

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand 2013 2012 restated

### 8. Biological assets that form part of an agricultural activity

	2013		2012	
	Fair Value	Carrying value	Fair Value	Carrying value
Other bearer biological assets	1 481 820	-	1 463 460	-

#### Reconciliation of carrying valued of biological assets - 2013

	Opening balance	Additions	Disposals	Total
Other bearer biological assets	1 463 460	212 180	(193 820)	1 481 820

#### Reconciliation of carrying value of biological assets - 2012

	Opening balance	Additions	Disposals	Total
Other bearer biological assets	1 311 320	348 560	(196 420)	1 463 460

### Non – Financial information

#### Quantities of each biological asset (game)

Blesbuck	323	272
Burchell's Zebra	46	56
Red Hartebeest	131	161
Mountain Reedbuck	3	6
Ostrich	23	25
Eland	19	16
Gemsbok	58	54
Impala	90	148
Springbok	544	417
Kudu	-	4
Giraffe	5	4
	<b>1 242</b>	<b>1 163</b>

#### Methods and assumptions used in determining fair value

Tokologo Municipality is engaged in game farming. The balance sheet valuation of biological assets is based on an actual count and the unit values on market prices.

### 9. Investment property

	2013			2012		
	Provisional amount	Accumulated depreciation and accumulated impairment	Carrying value	Provisional amount	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	30 911 400	-	30 911 400	30 131 400	-	30 131 400

#### Reconciliation of carrying value of investment property - 2013

	Opening balance	Additions	Total
Investment property	30 131 400	780 000	30 911 400

#### Reconciliation of carrying value of investment property - 2012



# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand 2013 2012 restated

### 9. Investment property (continued)

	Opening balance	Total
Investment property	30 131 400	30 131 400

Investment property comprises grazing fields commonly described as camp sites. Their main purpose is for renting out to livestock farmers for grazing.

### 10. Property, plant and equipment

	2013			2012		
	Cost / Provisional amount	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Provisional amount	Accumulated depreciation and accumulated impairment	Carrying value
Land	66 668 308	-	66 668 308	66 668 308	-	66 668 308
Infrastructure	355 164 132	(155 694 086)	199 470 046	355 109 329	(138 163 533)	216 945 796
Community	13 816 607	(1 441 373)	12 375 234	13 816 607	(1 137 780)	12 678 827
Finance lease assets	103 363	(53 903)	49 460	464 219	(346 340)	117 879
Capital work in progress	176 324 753	-	176 324 753	106 177 188	-	106 177 188
Other property, plant and equipment	19 511 001	(10 554 018)	8 956 983	16 423 031	(8 656 691)	7 766 340
<b>Total</b>	<b>631 588 164</b>	<b>(167 743 380)</b>	<b>463 844 784</b>	<b>558 658 682</b>	<b>(148 304 344)</b>	<b>410 354 338</b>

#### Reconciliation of carrying value of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	66 668 308	-	-	-	-	66 668 308
Infrastructure	216 945 798	54 802	-	-	(17 530 553)	199 470 047
Community	12 678 827	-	-	-	(303 593)	12 375 234
Finance lease assets	117 879	57 111	-	-	(125 530)	49 460
Capital work in progress	106 177 188	70 202 367	-	(54 802)	-	176 324 753
Other property, plant and equipment owned	7 766 341	3 109 548	(21 578)	-	(1 897 327)	8 956 984
	<b>410 354 341</b>	<b>73 423 828</b>	<b>(21 578)</b>	<b>(54 802)</b>	<b>(19 857 003)</b>	<b>463 844 786</b>

#### Reconciliation of carrying value of property, plant and equipment - 2012

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Land	66 668 308	-	-	-	66 668 308
Infrastructure	224 140 345	13 462 532	(3 129 798)	(17 527 282)	216 945 797
Community	12 464 820	-	498 452	(284 445)	12 678 827
Finance lease assets	263 146	344 509	(310 223)	(179 553)	117 879
Capital work in progress	53 665 042	65 974 678	(13 462 532)	-	106 177 188
Other property, plant and equipment owned	8 486 424	404 599	-	(1 124 682)	7 766 341
	<b>365 688 085</b>	<b>80 186 318</b>	<b>(16 404 101)</b>	<b>(19 115 962)</b>	<b>410 354 340</b>

#### Assets subject to finance lease (Net carrying amount)

Other property, plant and equipment	49 460	117 879
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# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand 2013 2012 restated

### 11. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Licenses and franchises	607 801	(563 010)	44 791	335 983	(323 864)	12 119

#### Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Licenses and franchises	12 119	271 818	(239 146)	44 790

#### Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Licenses and franchises	-	189 711	(177 592)	12 119

### 12. Investments

#### Designated at fair value

Listed shares	277 521	277 011
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#### Non-current assets

At fair value through surplus or deficit - designated	277 521	277 011
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### 13. Consumer deposits

Electricity and water	299 431	287 658
Water	79 226	74 746
	<b>378 657</b>	<b>362 404</b>

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012 restated
<b>14. Non-current portion of finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	157 133	491 662
- in second to fifth year inclusive	233 423	331 995
	<hr/>	<hr/>
	390 556	823 657
less: future finance charges (within one year)	(26 152)	(98 345)
less: future finance charges (in second to fifth year inclusive)	(26 788)	(47 383)
	<hr/>	<hr/>
<b>Present value of minimum lease payments</b>	<b>337 616</b>	<b>677 929</b>
	<hr/>	<hr/>
<b>Present value of minimum lease payments due</b>		
- within one year	183 285	339 317
- in second to fifth year inclusive	260 211	284 612
	<hr/>	<hr/>
	<b>443 496</b>	<b>623 929</b>
	<hr/>	<hr/>
Non-current liabilities	260 211	284 612
Current liabilities	183 285	393 317
	<hr/>	<hr/>
	<b>443 496</b>	<b>677 929</b>
	<hr/>	<hr/>

The average lease term is 3 years and the average effective borrowing rate is 8.5%. The Interest rates are fixed at the contract date. Some leases have fixed repayment terms and others escalate at 15% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

### 15. Payables from exchange transactions

Trade payables	3 197 268	5 588 451
Payments received in advanced	974 889	589 602
Accruals	3 988 069	10 463 017
Accrued leave pay	2 193 184	2 030 525
	<hr/>	<hr/>
	<b>10 353 410</b>	<b>18 671 595</b>
	<hr/>	<hr/>

The fair values approximate carrying amount.

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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### 16. Provisions

#### Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Rehabilitation of Landfill Sites	2 028 250	-	2 028 250
Other provisions	1 055 000	81 000	1 136 000
	<b>3 083 250</b>	<b>81 000</b>	<b>3 164 250</b>

#### Reconciliation of provisions - 2012

	Opening Balance	Additions	Reversed during the year	Total
Rehabilitation of Landfill Sites	2 859 405	-	(831 155)	2 028 250
Other provisions	-	1 055 000	-	1 055 000
	<b>2 859 405</b>	<b>1 055 000</b>	<b>(831 155)</b>	<b>3 083 250</b>

Non-current liabilities	2 028 250	2 028 250
Current liabilities	1 136 000	1 055 000
	<b>3 164 250</b>	<b>3 083 250</b>

#### Rehabilitation of Landfill Sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is based on professional estimates received and is expected to be incurred within the next twelve months.

Estimates from industry sources were utilised to calculate the provision. Reports and reading material from Department of Water Affairs and Forestry (Requirements for Waste Disposal by Landfill and Waste Management & Minimum Requirements) and Waste Management Legislation Act. Feasibility studies comprising preliminary geohydrological investigation, preliminary environmental impact assessment, concept design and operational strategy and Impact studies were performed to estimate the related costs to rehabilitate the sites.

Calculations were split into direct and indirect costs, and include a process of closure of 3 landfill sites, construction of 2 new waste transfer stations and a new landfill site for the Tokologo Local Municipality in terms of Section 20(b) of the National Environmental Management Waste Act, 2008 (Act no. 59 of 2008).

Only the cost of the closure of the exiting landfill sites were included in the provision as it is the only costs expected to be incurred within the next twelve months with regards to landfill sites. The construction of the new landfill sites are only expected to start in the 2014/2015 financial year thus they are not included in the provision for the current year.

#### Long-Term Service Awards:

The municipality operates as unfunded deficit benefit plan for all its employees. Under the plan, a Long-Service award is payable and extra leave is accrued after 5 years of continuous service and every 5 years thereafter to employees, from 10 years of service to 45 years of service.

This is the present value of the total Long-Term Service Awards expected to become payable under the employer's current arrangements and based on the assumptions made. This may be regarded as the amount of money that should be set aside in present-day terms to cover all expected Long-Term Service Awards for current employees.

The most recent actuarial valuations on the Long-Term Service Awards were carried out at 30 June 2013 by ZAQEN Actuaries (Pty) Ltd

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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### 17. Employee benefit obligations

#### Defined benefit plan

##### Post retirement benefit plan

##### Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by finding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is liable for a certain portion of the medical aid membership fee. The municipality operates as unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by ZAQEN Actuaries (Pty) Ltd. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Keyhealth

The Current-service Cost for the year ending 30 June 2012 is estimated to be R174,000 whereas the cost for the ensuring year is estimated to be R184,000.

#### The amounts recognised in the statement of financial position are as follows:

##### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(2 431 000)	(2 311 358)
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#### The Liability in respect of past service has been estimated as follows:

Continuation Members	303 84	258 51
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#### Changes in the present value of the defined benefit obligation are as follows:

Opening balance	2 284 000	2 045 000
Benefits paid	(172 875)	(177 000)
Net expense recognised in the statement of financial performance	319 875	416 000
	<b>2 431 000</b>	<b>2 284 000</b>

#### Net expense recognised in the statement of financial performance

Interest cost	174 000	168 000
Actuarial (gains) losses	145 875	248 000
	<b>319 875</b>	<b>416 000</b>

#### Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	162 000	248 000
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#### Key assumptions used

Assumptions used at the reporting date:

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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### 17. Employee benefit obligations (continued)

Discount rates used	7.89 %	7.92 %
Consumer price inflation	6.14 %	4.00 %
Medical aid contribution inflation	7.14 %	0.74 %
Maximum subsidy increase rate	0.70 %	1.00 %

#### Other assumptions

Expected Retirement Age - Males and Females	63	-
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Amounts for the current and the previous year are as follows:

	2013	2012
Defined benefit obligation	189 000	248 000

### 18. Service charges

Sale of electricity	11 128 820	10 372 261
Sale of water	1 180 637	1 109 567
Sewerage and sanitation charges	3 382 456	3 042 017
Refuse removal	2 175 712	1 967 644
	<b>17 867 625</b>	<b>16 491 489</b>

### 19. Rental of facilities and equipment

#### Facilities and equipment

Rental of facilities	381 672	214 956
Rental of equipment	-	4 679
Rental of camps	402 301	284 130
	<b>783 973</b>	<b>503 765</b>

### 20. Property Rates

#### Rates received

Residential	3 525 294	3 182 886
Less: Income forgone	(588 971)	(839 770)
	<b>2 936 323</b>	<b>2 343 116</b>

#### Valuations

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of 0,0037 (2011: 0,0035) is applied to property valuations to determine assessment rates. Rebates of 10% (2012: 10%) are granted to agricultural entities.

Rates are levied on an a monthly basis. Interest at prime plus 2% per annum (2012: 11%) is levied on rates outstanding.

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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### 21. Revenue

Sale of goods	770 433	56 750
Rendering of services	185 709	82 452
Service charges	17 867 625	16 491 489
Rental of facilities and equipment	783 973	503 765
Interest received - investment	1 091 877	798 493
Dividends received	-	16 014
Property rates	2 936 323	2 343 116
Government grants & subsidies	123 997 194	103 794 124
Fines	106 255	174 410
	<b>147 739 389</b>	<b>124 260 613</b>

#### The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of goods	770 433	56 750
Service charges	17 867 625	16 491 489
Rendering of services	185 709	82 452
Rental of facilities and equipment	783 973	503 765
Interest received - investment	1 091 877	798 493
Dividends received	-	16 014
	<b>20 699 617</b>	<b>17 948 963</b>

#### The amount included in revenue arising from non-exchange transactions is as follows:

##### Taxation revenue

Property rates	2 936 323	2 343 116
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##### Transfer revenue

Government grants & subsidies	123 997 194	103 794 124
Fines	106 255	174 410
	<b>127 039 772</b>	<b>106 311 650</b>

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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### 22. Employee related costs

Salaries and wages	15 372 888	14 567 414
Performance and other bonus	870 313	848 208
Medical aid - company contributions	833 995	962 094
UIF	128 567	118 435
WCA	-	137 689
Leave pay provision charge	414 838	122 263
Pension	1 613 060	1 480 374
Transport allowance	511 248	664 912
Long-service awards	461 657	-
	<b>20 206 566</b>	<b>18 901 389</b>

#### Remuneration of Adv LMA Mofokeng (Municipal Manager)

Annual Remuneration	531 211	545 069
Contributions for SDL, Bargaining Council and Council Allowance	5 389	1 497
	<b>536 600</b>	<b>546 566</b>

Contract ended 29 February 2013.

#### Remuneration of M Masisi (Chief Finance Officer)

Annual Remuneration	422 333	384 000
Car Allowance	216 000	216 000
Contributions for SDL, Bargaining Council and Council Allowance	4 628	1 372
	<b>642 961</b>	<b>601 372</b>

#### Remuneration of OH Setlhare (Corporate and human resources)

Annual Remuneration	-	326 805
Car Allowance	-	96 356
Contributions for SDL, Bargaining Council and Council Allowance	-	1 372
Housing allowances	-	11 336
	<b>-</b>	<b>435 869</b>

#### Remuneration of MJ Chakane (Technical Manager)

Annual Remuneration	680 623	345 948
Car Allowance	90 000	90 000
Contributions for SDL, Bargaining Council and Council Allowance	4 862	1 497
Housing Allowance	24 000	24 000
Telephone Allowance	4 000	-
	<b>803 486</b>	<b>461 445</b>

#### Remuneration of KJ Motlhale (Municipal Manager)

Annual Remuneration	194 560	-
Contributions for SDL, Bargaining Council and Council Allowance	1 946	-
	<b>196 506</b>	<b>-</b>

Contract started 18 April 2013.

#### Remuneration of MG Maphobole (Corporate Services)

Annual Remuneration	138 333	-
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# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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### 22. Employee related costs (continued)

Contributions for SDL, Bargaining Council and Council Allowance

1 383	-
<b>139 716</b>	<b>-</b>

Contract started 2 May 2013.

### 23. Remuneration of Councillors

Mayor / Speaker  
Councillors

642 816	610 700
1 246 484	1 285 424
<b>1 889 300</b>	<b>1 896 124</b>

### In-kind benefits

The Mayor is provided with an office with secretarial support and an official vehicle with a driver at the cost of the Council.

### 24. Depreciation and amortisation

Property, plant and equipment

14 910 455	19 248 673
------------	------------

### 25. Finance costs

Trade and other payables  
Finance leases

5 866	132 435
261 758	124 505
<b>267 624</b>	<b>256 940</b>

### 26. Debt impairment

Provision for bad debts

6 872 970	19 118 409
-----------	------------

### 27. Bulk purchases

Electricity  
Water

13 377 300	10 608 054
292 153	1 286 465
<b>13 669 453</b>	<b>11 894 519</b>

### 28. Contracted Services

Legal Fees  
Audit Fees  
Specialist Services

192 577	540 537
2 156 037	988 207
3 141 615	5 622 010
<b>5 490 229</b>	<b>7 150 754</b>

### 29. Grants and subsidies paid

Free Basic Electricity  
Free Basic Water  
Indigents Refuse  
Indigents Sanitation  
Indigents Sewerage  
Indigents Water  
Other subsidies

175 205	213 863
-	632 604
28 023	134 226
1 745	47 877
39 011	182 472
10 467	55 171
<b>254 451</b>	<b>1 266 213</b>

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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### 30. General expenses

Accommodation	492 635	236 640
Advertising	336 395	222 553
Assets expensed	237 059	15 048
Audit committee	29 162	51 524
Bank charges	198 548	246 000
Capacity building	158 865	171 624
Chemicals	26 287	-
Cleaning	233	714
Community development and training	86 197	25 704
Consumables	81	-
Contribution to landfill sites rehabilitation	203 616	245 636
Electricity	-	114 595
Employee Wellness Programme	-	174 560
Entertainment	44 569	104 762
Fuel and oil	651 765	660 610
IDP/LED	211 355	22 751
IT expenses	25 652	10 691
Lease rentals on operating lease	285 811	243 084
Miscellaneous office expenses	405 237	494 954
Motor vehicle expenses	-	204 722
Training	836 530	506 366
Penalties	28 471	119 771
Postage and courier	7 568	18 916
Printing and stationery	176 078	322 114
Protective clothing	238 243	181 314
Refuse	21 504	28 075
Staff welfare	8 030	3 990
Subscriptions and membership fees	499 617	54 433
Telephone and fax	667 442	1 025 679
Transport services rental expense	133 645	35 359
Travel - local	1 472 565	1 271 196
Water	-	1 720
Workmens' expenses	-	3 300
	<b>7 483 160</b>	<b>6 818 405</b>

### 31. Fair value adjustments

Other financial assets

• Other financial assets (Designated as at FV through P&L)	510	7 518
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### 32. Current unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Movement during the year

Additions during the year	83 928 142	69 151 840
Income recognition during the year	(83 928 142)	(69 151 840)
	-	-

See note 33 for reconciliation of grants from National/District Municipality.

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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### 33. Government grants and subsidies

#### Operating grants

LG SETA	132 898	51 284
CoGTA	1 200 000	-
Municipal Systems Improvements Grant	800 000	790 000
Financial Management Grant	1 500 000	1 450 000
Equitable Share	43 058 042	34 082 000
	<u>46 690 940</u>	<u>36 373 284</u>

#### Capital grants

Municipal Infrastructure Grant	21 658 000	17 855 000
Department of Water and Forestry (DWAF)	54 204 254	49 056 840
Expanded Public Works Programme Incentive Grant	1 444 000	509 000
	<u>77 306 254</u>	<u>67 420 840</u>
	<u><b>123 997 194</b></u>	<u><b>103 794 124</b></u>

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members as well as to subsidise the municipality's operations.

All registered indigents received a monthly subsidy from the Equitable Share Grant.

#### Municipal Infrastructure Grant

Current-year receipts	21 658 000	17 855 000
Conditions met - transferred to revenue	(21 658 000)	(17 855 000)
	<u>-</u>	<u>-</u>

Conditions met - transferred to revenue (see note 32&33)

#### LG SETA

Current-year receipts	132 898	51 284
Conditions met - transferred to revenue	(132 898)	(51 284)
	<u>-</u>	<u>-</u>

Conditions met - transferred to revenue (see note 13&20)

#### Municipal Systems Improvement Grant

Current-year receipts	800 000	790 000
Conditions met - transferred to revenue	(800 000)	(790 000)
	<u>-</u>	<u>-</u>

Conditions met - transferred to revenue (see note 32&33)

#### Financial Management Grant

Current-year receipts	1 500 000	1 450 000
Conditions met - transferred to revenue	(1 500 000)	(1 450 000)
	<u>-</u>	<u>-</u>

Conditions met - transferred to revenue (see note 32&33)

#### Expanded Public Works Programme Incentive Grant

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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### 33. Government grants and subsidies (continued)

Current-year receipts	1 444 000	509 000
Conditions met - transferred to revenue	(1 444 000)	(509 000)
	-	-

Conditions met - transferred to revenue (see note 32&33)

#### Department of Water and Forestry (BULK Water) Grant

Current-year receipts	54 204 254	49 056 840
Conditions met - transferred to revenue	(54 204 254)	(49 056 840)
	-	-

Conditions met - transferred to revenue (see note 32&33)

#### CoGTA

Current-year receipts	1 200 000	-
Conditions met - transferred to revenue	(1 200 000)	-
	-	-

Conditions met - transferred to revenue (see note 32&33)

#### Equitable Shares

Current-year receipts	44 140 942	34 082 000
Conditions met - transferred to revenue	(44 140 942)	(34 082 000)
	-	-

Conditions met - transferred to revenue (see note 32&33)

### 34. Interest and dividend earned

#### Dividend revenue

Listed financial assets - Local	-	16 014
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Bank	285 881	197 516
Interest charged on trade and other receivables	805 996	600 977
	<b>1 091 877</b>	<b>798 493</b>
	<b>1 091 877</b>	<b>814 507</b>

The amount included in interest earned arising from exchange transactions amounted to R 805 996 (2012: R600 977).

The amount included in interest earned arising from non-exchange transactions amounted to R285 881 (2011: R197 516).

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012 restated
<b>35. Cash generated from operations</b>		
Surplus	69 085 749	33 749 204
<b>Adjustments for:</b>		
Depreciation and amortisation	14 910 455	19 248 673
Loss on sale of assets and liabilities	(18 360)	-
Fair value adjustments	(510)	(7 518)
Finance costs - Finance leases	261 758	124 505
Debt impairment	11 933 134	19 118 409
Movements in retirement benefit assets and liabilities	147 000	-
Movements in provisions	81 000	(906 155)
Other non-cash items - prior year adjustments	5 187 198	14 816 000
<b>Changes in working capital:</b>		
Inventories	2 970	960 123
Receivables from exchange transactions	(1 177 292)	(162 279)
Consumer debtors	(7 146 166)	(11 051 513)
Payables from exchange transactions	(8 318 185)	9 853 514
VAT	(10 162 240)	(4 604 130)
Consumer deposits	16 253	41 649
	<b>74 802 764</b>	<b>81 180 482</b>

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012 restated
<b>36. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Approved and contracted for</b>		
• Infrastructure	25 467 233	52 629 814
<b>Approved but not yet contracted for</b>		
• Infrastructure	14 339 237	15 000 138
<b>TOTAL</b>	<b>39 806 470</b>	<b>67 629 952</b>

This expenditure will be funded from Government Grants.

This committed expenditure for Infrastructure relates to the BULK projects and MIG projects of R8,352,042 and R17,115,190 respectively split as follows:

• Upgrading of Gravel Road at Boshof Seretse Phase 2	-	2,063,160
• Boshof Sanitation - Profession Fee	-	1,124,065
• Upgrading of Seretse Stadium	-	430,529
• Upgrading of Seretse Stadium	-	6,893,253
• Roads, Storm water and community centre EPWP	-	478,868
• Upgrading of Dealesville Oxidation Ponds	-	678,504
• Upgrading of Dealesville Oxidation Ponds	-	5,446,811
• <b>TOTAL MIG</b>		<b>17,115,190</b>
• Hertzogville Bulk Water Pipeline (Ductile Iron 8.5km)	-	1,372,493
• Water treatment works at Hertzogville	-	1,171,477
• Water Treatment Works at Hertzogville	-	2,375,178
• Water Treatment Works at Hertzogville	-	864,431
• Abstraction Works at Christiana - Civil Works	-	1,179,190
• Mechanical and Electric Abstraction Works Christiana	-	824,742
• Hertzogville Bulk Water 10 km	-	564,531
• <b>TOTAL REGIONAL BULK INFRASTRUCTURE GRANT</b>		<b>8,352,042</b>
• <b>TOTAL COMMITMENTS</b>		<b>25,467,233</b>

### 37. Contingencies

The municipality has the following contingent liabilities:

A claim for services rendered was made by Big Bravo Construction CC amounting to R3 197 147.

A summons was issued by Boswa Bontle Trading amounting to R117 869 for goods sold and delivered.

A summons was issued by Thembinkosi Investment amounting to R1 550 100 for electrical services rendered.

Letter of demand issued by Daniel Batantse for the non-payment of salaries amounting to R7 500

Letter of demand issued by various Tokologo Farmers for payment of damages caused by veld fires, provisional assessment of damages amounting to R2 390 000.

### Contingent assets

The municipality did not have any contingent assets noted for the year under review.

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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### 38. Related parties

#### Relationships

Accounting Officer

No related parties transactions noted except for remuneration as disclosed in note 24.

Close family member of key management

No related parties transactions noted

Joint venture of key management

No related parties transactions noted

Associate of close family member of key management

No related parties transactions noted

Post employment benefit plan for employees of entity and/or other related parties

No related parties transactions noted

Post employment benefit plan for employees of a related party of a close family member of key management

No related parties transactions noted

Compensation to councillors and other key management (refer to note 24 & 25)

### Key management information

Class	Remuneration	Number
Sec 57 Managers	Refer to note 24	3
Mayor	Refer to note 25	1
Councillors	Refer to note 25	7
Municipal Managers	Refer to note 24	1

### 39. Prior period errors

During 2012 the provision for landfill sites was incorrectly estimated based on a query by the Auditor General.

Employee benefits were disclosed based on a query by the AG

Unknown deposits were receipted.

Provision for long service awards were made based on a query by the AG

Debtors amounting to R101,153.41 and creditors amounting to R1,637,608.58 were written off.

Errors on inventory amounting to R228 188,72 were corrected.

Expenditure was allocated for correct classification to the amount of R54 000.

Revenue was refunded for prior year expenses claimed.

Revaluation reserve unsupported by an investment was written off.

Stale and RD cheques were written back to the amount of R89 119,19.

The correction of the error(s) results in adjustments as follows:

#### Statement of financial position

Increase in trade receivable from exchange transactions	-	(101 152)
Decrease in cash and cash equivalents	-	89 119
Increase in employee benefits	-	(2 284 000)
Increase in assets	-	1 085 193
Increase in trade and other payables from exchange transactions	-	1 637 609
Increase in provisiona	-	(1 130 000)
Decrease in inventories	-	(228 189)
NET EFFECT ON STATEMENT OF FINANCIAL POSITION	-	(931 420)
Opening Accumulated Surplus	-	1 475 582

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand 2013 2012 restated

### 39. Prior period errors (continued)

#### Statement of Financial Performance

Creditors written off	-	(1 637 609)
Debtors written off	-	101 152
Stale cheques written back	-	(89 119)
Correct inventories	-	228 189
Revaluation reserve written off	-	18 175
Correct provision for landfill site: audit query	-	75 000
Allocation of revenue in correct year	-	(3 395 569)
Expenditure allocated	-	970 392
Employee Benefits	-	3 339 000
Correction of cost and depreciation of assets	-	(1 085 193)

### 40. Risk management

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance leases	-	183 285	260 211	-
Trade and other payables	2 297 028	-	-	-
At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance leases	-	223 260	19 648	-
Trade and other payables	19 139 084	-	-	-

#### Risk from biological assets

The municipality is exposed to financial risks arising from changes in the market price of game. The municipality does not anticipate that game prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in game prices. The municipality reviews its outlook for game prices regularly in considering the need for active financial risk management. There is also the risk of diseases which at the moment is unmanageable.

#### Interest rate risk

As the municipality has a couple of less significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

#### Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Fixed deposits	- %	2 432 376	-	-	-	-

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.



# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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### 40. Risk management (continued)

Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end are shown in the relevant note for cash and cash equivalents and trade receivables.

Financial instrument	2013	2012
Bank	788 437	1 249 380
Consumer debtors	2 325 034	2 051 838

### 41. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the municipality is very reliant on grants from Treasury. Funding will be received from National Treasury as long as the municipality submit their reports on time. The collection of outstanding consumer debtor accounts are also a priority for the next twelve months.

### 42. Events after the reporting date

There are no adjusting events after reporting date to report on, except for equitable share withheld but relating to the 2012/2013 financial year.

### 43. Unauthorised expenditure

Actual expenditure exceeded the budgeted expenditure by	7 913 172	36 221 598
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All the matters noted above will be presented to Council during the 2013/2014 financial year end so that they could be speedily resolved and concluded. The amount for the year under review will be investigated to get the exact amount and this will be presented to council for further action.

### 44. Fruitless and wasteful expenditure

Legal fees	148 789	442 103
Interest paid for late payments	163 953	151 809
Other Fruitless Expenditure	86 891	-
Penalties	17 459	2 015
	<b>417 092</b>	<b>595 927</b>

Interest paid and penalties: The interest could not be avoided as the municipality had a cashflow problem at that stage, but will be tabled to council for further action.

### 45. Irregular expenditure

Opening balance	49 624 771	44 470 675
Add: Irregular Expenditure - current year	9 655 059	5 154 096
	<b>59 279 830</b>	<b>49 624 771</b>

There are no amounts reflected as condoned, recoverable (not condoned) and not recoverable (not condoned) because Council has recommended an investigation after submissions have been presented to Council. Report on the investigation will be presented in the next Council meeting.

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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### 45. Irregular expenditure (continued)

#### Details of Irregular Expenditure – Current year

	STEPS TO BE TAKEN	
Procurement of goods and or services by obtaining only one or two quotations	Matters to be investigated and submitted to council	1 022 438
No proof of advertisements on entitiy's website	Matters to be investigated and submitted to council	1 641 426
Payments without applicable documentation	Matters to be investigated and submitted to council	613 483
Consultants appointed without following SCM procedures	Matters to be investigated and submitted to council	6 377 712
		<b>9 655 059</b>

A register and methodology for identifying, recording, investigating and subsequently tabling to Council will be prepared soon so that the matters can be captured and dealt with speedily and on a continual basis.

### 46. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government (SALGA)

Current year subscription / fee	400 000	54 000
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#### Audit fees

Amount paid - current year	2 156 037	988 207
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#### UIF

Amount paid - current year	128 567	118 435
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#### VAT

VAT receivable	17 874 593	7 712 353
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VAT output payables and VAT input receivables are shown in note .

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:-

30 June 2013	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor Mongana	2 682	-	2 682
30 June 2012	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor Mongana	246	5 620	5 866

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

# TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand 2013 2012 restated

### 47. Actual operating revenue and expenditure versus budgeted operating revenue and expenditure

Revenue	Current year budget	Current year actual	Variance	Variance %
Property rates	2 621 652	2 936 323	314 671	12
Service charges	18 832 561	17 867 625	(964 936)	(5)
Rental of facilities	228 756	783 973	555 217	242
Interest earned- external investments	455 224	1 091 877	636 653	140
Dividends	2 739	-	(2 739)	(100)
Fines	73 040	106 255	33 215	45
Grants and subsidies	96 741 480	123 997 194	27 255 714	28
Rendering of services	39 171	185 709	146 538	4
Sale of Game	328 735	171 710	(157 025)	(48)
	<b>119 323 358</b>	<b>147 140 666</b>	<b>27 817 308</b>	<b>318</b>

### Heading

Expenditure	Current year budget	Current year actual	Variance	Variance %
Personnel	(22 129 140)	(20 206 566)	1 922 574	(9)
Remuneration of councillors	(1 817 849)	(1 889 300)	(71 451)	4
Impairment loss / Reversal of impairment	(2 517 867)	-	2 517 867	(100)
Depreciation	(1 181 818)	-	1 181 818	(100)
Repairs and maintenance	(3 175 271)	(2 713 718)	461 553	(15)
Finance cost	-	(267 624)	(267 624)	-
Bulk purchases	(11 778 778)	(13 669 453)	(1 890 675)	16
Contracted services	(10 353 420)	(8 136 523)	2 216 897	(21)
Grants and subsidies paid	(2 275 416)	(254 451)	2 020 965	(89)
General expenses	(6 197 961)	(7 589 937)	(1 391 976)	22
Debt Impairment	(2 581 524)	(6 872 970)	(4 291 446)	166
	<b>(64 009 044)</b>	<b>(61 600 542)</b>	<b>2 408 502</b>	<b>(126)</b>

### 48. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013									
Yearly					Yearly				
Loan Number	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Balance at 30 June 2013	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand	Rand	Rand
		Rand	Rand	Rand	Rand				
		-	-	-	-	-	-	-	-

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012									
Cost/Revaluation					Accumulated Depreciation				
Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	
<b>Land/ Buildings</b>									
Erven	62 567 353	-	-	-	62 567 353	-	-	-	6
Farms	4 100 955	-	-	-	4 100 955	-	-	-	
<b>66 668 308</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66 668 308</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>
<b>Community Assets</b>									
Buildings	7 217 000	-	-	-	7 217 000	962 266	303 593	-	1 265 859
Land	5 283 257	-	-	-	5 283 257	-	-	-	-
Recreation facilities	1 316 350	-	-	-	1 316 350	175 513	-	-	175 513
<b>13 816 607</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13 816 607</b>	<b>1 137 779</b>	<b>303 593</b>	<b>-</b>	<b>1 441 372</b>	<b>1</b>
<b>Leased Assets</b>									
Office equipment	464 219	57 111	-	417 967	103 363	346 340	125 530	417 967	53 903
<b>464 219</b>	<b>57 111</b>	<b>-</b>	<b>417 967</b>	<b>103 363</b>	<b>346 340</b>	<b>125 530</b>	<b>417 967</b>	<b>53 903</b>	
<b>Infrastructure</b>									
Electricity	9 350 153	-	-	-	9 350 153	4 472 374	-	-	4 472 374
Roads	246 154 567	-	-	-	246 154 567	116 621 801	12 470 389	-	129 092 190
Sewerage	30 763 270	54 802	-	-	30 818 072	5 496 885	1 539 973	-	7 036 858
Water	68 841 339	-	-	-	68 841 339	11 572 473	3 520 191	-	15 092 664
Capital work in progress	106 177 188	70 202 366	(54 802)	-	176 324 752	-	-	-	-
<b>461 286 517</b>	<b>70 257 168</b>	<b>(54 802)</b>	<b>-</b>	<b>531 488 883</b>	<b>138 163 533</b>	<b>17 530 553</b>	<b>-</b>	<b>155 694 086</b>	<b>3</b>

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012									
Cost/Revaluation					Accumulated Depreciation				
Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	
<b>Other assets</b>									
Furniture and fittings	2 031 201	3 109 548	-	21 578	5 119 171	562 758	82 073	17 896	626 935
Motor vehicles	8 599 908	-	-	-	8 599 908	5 608 201	1 555 631	-	7 163 832
Office equipment	542 814	-	-	-	542 814	162 780	36 323	-	199 103
Computer equipment	637 637	-	-	-	637 637	332 891	56 623	-	389 514
Plant and machinery	741 924	-	-	-	741 924	312 128	26 775	-	338 903
Specialised vehicles	3 869 547	-	-	-	3 869 547	1 677 933	157 797	-	1 835 730
<b>16 423 031</b>	<b>3 109 548</b>	<b>-</b>	<b>21 578</b>	<b>19 511 001</b>	<b>8 656 691</b>	<b>1 915 222</b>	<b>17 896</b>	<b>10 554 017</b>	
<b>Total</b>									
Land/ Buildings	66 668 308	-	-	-	66 668 308	-	-	-	-
Community Assets	13 816 607	-	-	-	13 816 607	1 137 779	303 593	-	1 441 372
Leased Assets	464 219	57 111	-	417 967	103 363	346 340	125 530	417 967	53 903
Infrastructure	461 286 517	70 257 168	(54 802)	-	531 488 883	138 163 533	17 530 553	-	155 694 086
Furniture and fixtures	-	-	-	-	-	-	-	-	-
Other assets	16 423 031	3 109 548	-	21 578	19 511 001	8 656 691	1 915 222	17 896	10 554 017
<b>558 658 682</b>	<b>73 423 827</b>	<b>(54 802)</b>	<b>439 545</b>	<b>631 588 162</b>	<b>148 304 343</b>	<b>19 874 898</b>	<b>435 863</b>	<b>167 743 378</b>	<b>40 000 000</b>

## APPENDIX C for the period ended 30 June 2013

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**TOKOLOGO MUNICIPALITY**

APPENDIX E(1) for the ended 30 June 2013

	Current year	Prior Year #	Current year	Prior Year #	Current year	Prior Year #	Current year	Prior Year #	Current year	Prior Year #	Current year	Prior Year #
	2013	1 2012	2013	1 2012	2013	1 2012	2013	1 2012	2013	1 2012	2013	1 2012
	Act. Bal.	Act. Bal.	Act. Bal.	Act. Bal.	Act. Bal.	Act. Bal.	Act. Bal.	Act. Bal.	Act. Bal.	Act. Bal.	Act. Bal.	Act. Bal.
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue and costs	-	-	-	-	-	-	-	-	-	-	-	-
Net surplus/ (deficit) for the year	-	-	-	-	-	-	-	-	-	-	-	-



**TOKOLOGO MUNICIPALITY**

APPENDIX E(2) for the period ended 30 June 2013

**GOVERNMENT TEMPLATE: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2006**

	<b>Additions</b>	<b>Under</b>	<b>Closing</b>	<b>Budget</b>	<b>Variance</b>	<b>Variance</b>	<b>Explanation of Significant Variances greater than 5% versus Budget</b>
	<b>Rand</b>	<b>Construction</b>	<b>Balance</b>	<b>Rand</b>	<b>Rand</b>	<b>%</b>	
		<b>Rand</b>	<b>Rand</b>				
Land/ Heritage	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-
<b>Leasehold property</b>							
Sewerage Mains & Purify	-	-	-	-	-	-	-
Plant and machinery	-	-	-	-	-	-	-
Furniture and fixtures	-	-	-	-	-	-	-
Motor vehicles	-	-	-	-	-	-	-
Office equipment	-	-	-	-	-	-	-
<b>Intangible assets</b>							
Licences	184 611	-	184 611	184 611	-	-	-
<b>Intangible assets</b>	184 611	-	184 611	184 611	-	-	-
Computer software	5 100	-	5 100	5 100	-	-	-
<b>Infrastructure</b>	5 100	-	5 100	5 100	-	-	-
Housing Develop Fund	-	-	-	-	-	-	-
<b>Infrastructure</b>							
Drains	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-
Beach Improvements	-	-	-	-	-	-	-
Sewerage Mains & Purif	-	-	-	-	-	-	-
Electricity Mains	-	-	-	-	-	-	-
Electricity Peak Load Equip	-	-	-	-	-	-	-
Water Mains & Purification	79 437 211	-	79 437 211	79 437 211	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-
Water Mains	-	-	-	-	-	-	-
	79 437 211	-	79 437 211	79 437 211	-	-	-

**TOKOLOGO MUNICIPALITY**

APPENDIX E(2) for the period ended 30 June 2013

	<b>Additions</b>	<b>Under</b>	<b>Closing</b>	<b>Budget</b>	<b>Variance</b>	<b>Variance</b>	<b>Explanation of Significant Variances greater than 5% versus Budget</b>
	<b>Rand</b>	<b>Construction</b>	<b>Balance</b>	<b>Rand</b>	<b>Rand</b>	<b>%</b>	
		<b>Rand</b>	<b>Rand</b>				
Community	-	-	-	-	-	-	-
<b>Other property, plant and equipment</b>							
Landfill sites	-	-	-	-	-	-	
Office Equipment	71 797	-	<b>71 797</b>	71 797	-	-	
Furniture & Fittings	104 469	-	<b>104 469</b>	104 469	-	-	
Bins and Containers	-	-	-	-	-	-	
Emergency Equipment	-	-	-	-	-	-	
Motor vehicles	-	-	-	-	-	-	
Fire engines	-	-	-	-	-	-	
Refuse tankers	-	-	-	-	-	-	
Computer equipment	64 017	-	<b>64 017</b>	64 017	-	-	
Councillors Regalia	-	-	-	-	-	-	
Conservancy tankers	-	-	-	-	-	-	
Watercraft	-	-	-	-	-	-	
Land	-	-	-	-	-	-	
Buildings	-	-	-	-	-	-	
	<b>240 283</b>	-	<b>240 283</b>	<b>240 283</b>	-	-	-
<b>Total</b>							
Buildings	-	-	-	-	-	-	
Leasehold property	-	-	-	-	-	-	
Plant and machinery	-	-	-	-	-	-	
Furniture and fixtures	-	-	-	-	-	-	
Motor vehicles	-	-	-	-	-	-	
Office equipment	-	-	-	-	-	-	
Intangible assets	184 611	-	<b>184 611</b>	184 611	-	-	
Intangible assets	5 100	-	<b>5 100</b>	5 100	-	-	
Housing Develop Fund	-	-	-	-	-	-	
Infrastructure	79 437 211	-	<b>79 437 211</b>	79 437 211	-	-	
Community	-	-	-	-	-	-	
Other property, plant and equipment	240 283	-	<b>240 283</b>	240 283	-	-	
	<b>79 867 205</b>	-	<b>79 867 205</b>	<b>79 867 205</b>	-	-	-

**TOKOLOGO MUNICIPALITY**

**TOKOLOGO MUNICIPALITY**

APPENDIX F for the ended 30 June 2013

**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	
Municipal infrastructure grant (MIG)	National	7 260 000	5 724 000	8 674 000	-	9 264 892	4 332 072	2 897 554	5 163 482	Yes
Financial Management Grant (PMG)	National	1 500 000	-	-	-	477 102	673 230	169 145	180 523	Yes
Municipal systems improvements grant (MSIG)	National	800 000	-	-	-	-	498 072	82 915	219 013	Yes
		-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	
		9 560 000	5 724 000	8 674 000	-	9 741 994	5 503 374	3 149 614	5 563 018	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.